



State of the State Address

By

Governor Mel Carnahan

January 18, 1995

Mr. President, Mr. Speaker, Mr. President Pro Tem, distinguished state officials, members of the 88th General Assembly and citizens of the State of Missouri.

I am pleased to have this opportunity to speak with you about Missouri's future and to present to you my Fiscal Year 1996 budget proposal.

This budget is designed to help prepare Missouri for the challenges of the 21st century. And it is designed to help meet the tough challenges facing Missouri right now.

This budget includes no tax increases and it contains a proposal to require that all major tax increases be submitted to a vote of the people.

This budget cuts obsolete spending, and it focuses on ways to make government more efficient and less wasteful.

This budget redirects existing resources and changes the way we do business to more effectively address the health and safety needs of Missouri's most vulnerable and valuable citizens ... its children. And it continues to enhance our investments in our schools, our colleges, and our universities.



This budget offers some tax relief: ... to self-employed Missourians ... and to families who care for elderly parents.

And perhaps most importantly, this budget — once again — steps up our fight against crime.

Nothing shakes the foundation of a community more than violent crime.

I don't care how long it takes, I don't care how hard it is, and I don't care who's going to get in our way ... We are not going to let the thugs and the pushers take over our neighborhoods and take over our schools.

In a few moments, I will offer my proposal for taking the next step in our war against crime. But first, I want to start with some of the good things that are happening in Missouri ... some of the things we can be proud of and that are making Missouri an outstanding place to live and raise a family.

I am pleased to report that after years of decline, Missouri's economy is moving again, both in our cities and in our rural areas.

Unemployment in the state has dropped to 3.9 percent — the lowest level in over 16 years. And more Missourians than ever before are employed in full-time jobs.

In fact, we have even reversed the long-standing decline in our state's manufacturing sector, with a net increase of over 10,000 new manufacturing jobs coming on line since the beginning of 1993.

For years we've been talking about the need for Missouri to be able to compete globally, in markets all around the world. Well ... we're doing it.

Missouri's agricultural and manufacturing exports are booming. In the last two years, Missouri's exports to overseas markets have increased not by tens of millions of dollars, but by hundreds of millions of dollars.

The fact is that when businesses take a close look at Missouri's business climate, they like what they see. In just the past two years alone, the Missouri Department of Economic Development has helped 170 out-of-state companies launch new operations here in Missouri. And it has helped 180 Missouri-based companies initiate major expansions right here at home.

And you'll recognize some of the names:

- Chrysler in Fenton,
- Ford Motor Company in Hazelwood,
- Gateway 2000 Computers in Kansas City,
- Huffy Bicycle in Farmington,
- Red Wing Shoe in Potosi,
- Wire Rope in Chillicothe

These are just some of the recently announced business expansions and relocations that are creating new jobs for Missouri and helping our economy grow.

And I'm pleased to note another recently-announced major business relocation to Missouri: It's a tough, lean, competitive operation that used to be known as the Los Angeles Rams.

Now they'll be known as the St. Louis Rams.



And they'll give St. Louis football fans the NFL team they've been waiting for.

Missouri's economy is on the move. And it's because Missouri has become a good place to do business.

Our strong commitment to education and training, our high quality work force, our highly diversified economy, our quality roads and infrastructure, and a combined state and local tax burden that's among the lowest in the nation are just a few of the reasons that Missouri is, today, experiencing an economic renaissance.

Before I leave this subject, I want to recognize the outstanding work of the Missouri Business Council and the Missouri Department of Economic Development.

From their efforts have come Missouri's first strategic economic development plan to expand our economy and create new jobs.

This new, first-ever plan has helped this state focus its economic development efforts on those things that are really important ... like finance, job training, access to technology and technology infrastructure.

These efforts are paying off now. They will continue to pay off for decades to come in new jobs, new businesses, and new markets.

Let there be no doubt — this administration is committed to good-paying private sector jobs for Missourians, strong growth for Missouri businesses, and expanding markets for Missouri products.

I've already mentioned some of the things we are doing to meet these objectives; let me tell you more.

A well-educated work force is the most precious economic resource we have. Without a highly-skilled and educated work force, high wage employers will not stay in Missouri and we will not be able to compete for the high-skill, high-wage jobs that are so important to our future.

Two years ago, we passed a major education reform bill to improve primary and secondary education here in Missouri. This new law — called the Outstanding Schools Act — is helping prepare our future work force for the demands of the global economy.

Already because of this law:

- class sizes are smaller,
- more children have access to computers and new technologies,
- early childhood education in Missouri has improved and expanded,
- and children who would have otherwise dropped out of school are staying in school and are getting the education or training they need to hold good jobs and help employers compete for business.

And under the Outstanding Schools Act, teachers and administrators are held accountable for results. Every parent and taxpayer will have access to information about how well each school is doing in educating its students.



I am pleased to report, that under the budget I am introducing today, the state is right on target in fully funding the Outstanding Schools Act — providing schools the resources they need to give our children a quality education.

This year, I am also proposing to improve education and training at the university, college and community college levels by investing in crucial areas that will pay dividends not only for our campuses and students, but for our businesses and economy as well.

For example, I am proposing funds for desperately needed new equipment in our science and engineering labs, and for new computers and modems that will give our students, faculty and researchers access to libraries and other important resources that are now beyond their reach.

Furthermore, over the years, the physical facilities on some of our campuses have become inadequate or have deteriorated beyond acceptable levels.

Not only do inadequate and run-down facilities hinder academic achievement and job training, but they also make it much more difficult for our colleges to attract high quality students, faculty, and private investment.

Therefore, my budget includes one-time funds to help build or renovate the libraries, science labs, medical facilities, and classrooms our campuses need in order to train a high quality work force.

Good jobs are not something we can just sit idly by and wait for; we've got to make them happen.

Self-employed entrepreneurs are a crucial segment of Missouri's economy. Small businesses are responsible for about 80 percent of all the new jobs created each year and most of those small businesses started off as self-employed individuals. We must encourage potential entrepreneurs in Missouri to take the risk of starting their own businesses.

The federal government recently took a step backward that actually discourages people from starting a business: Last year Congress failed to renew the federal tax deduction for health care premiums for self-employed people.

When that tax deduction expired, the cost of starting a business as a self-employed person went up. That's not good for business, it's not good for job growth, and it's not good for our economy.

Therefore, I propose the State of Missouri step in to restore part of that tax deduction. Specifically, I propose that self-employed Missourians and their families be able to deduct 50 percent of their health insurance costs.

This tax cut will enable them to recover about one-half of the impact of their lost federal deduction. By restoring part of that lost deduction and offering this modest assistance, we will accomplish two things:

- We will help remove the high cost of health insurance as a barrier to self-employment;
- And we will give Missouri's self-employed individuals a competitive edge over their counterparts in other states.



That makes good sense because it boosts our biggest source of new jobs — Missouri's entrepreneurs.

When we talk about preparing Missouri for the economic challenges of the 21st century, we must consider the crucial role of technology and telecommunications. Our competitive future depends upon our ability to keep pace with rapidly changing information technology. We must be fully prepared to compete in the information age.

That's why, right now, we're working on an ambitious three-year project to link every school district and public library in Missouri to the information superhighway, so that our students, communities and small businesses can have access to information that is now way beyond their reach.

And as we learned from the recent findings of our Commission on Informational Technology, we must change Missouri's regulatory climate so that we reward innovation and bring state-of-the-art technology to every community across the state. We must level the playing field within the telecommunications industry to allow competition to drive technological innovation.

I am convinced that, with these changes, we can transform a few isolated pilot projects into the best advanced statewide telecommunications system in the country.

Another way state government can help facilitate economic growth is by keeping our own fiscal house

in order. Fortunately, Missouri continues to be one of the most fiscally responsible states in the nation.

- We have a balanced budget every year. Not only is it required by our state constitution, but it enjoys wide bi-partisan support.
- We continue to be one of only a handful of states that consistently receives a Triple-A rating from all three financial rating agencies.
- We have very low debt.
- And we have been able to maintain our position as one of the lowest tax states in the nation. Forty-eight states have a higher combined state and local tax burden than does Missouri.

Missouri's solid financial condition is the result of this state's strong and long-standing tradition of fiscal responsibility ... a tradition that my administration is fully committed to.

I'm proud of the fact that, in my first two years as Governor, we have worked together to cut 150 million dollars in obsolete programs and unnecessary spending, and moved that money to high priority areas such as education, job training and law enforcement — those things that make our economy grow, make our private sector strong, and make our neighborhoods secure.

This year we continue that effort. My budget for Fiscal Year '96 proposes another 50 million dollars in spending cuts we can make by improving efficiency and terminating unnecessary spending.



These cuts will help make sure we have enough money to pay for those things that are really important. And they will help us fulfill our responsibility to run state government wisely and efficiently.

And of course, that's not all. Even as we speak, we are in the process of conducting a massive review of operations throughout state government.

We are consolidating services, streamlining processes, and re-thinking how government is run.

This review, conducted through the new Commission on Management and Productivity, also known as COMAP, is already leading to changes that are improving the efficiency and productivity of state government.

For example, as a result of COMAP's work, we've begun the process of consolidating state data centers, printing operations, and warehouses. This will save Missouri over five million dollars a year.

And COMAP is helping us overhaul our state purchasing laws — some of which were written over 50 years ago — so that we can save tax dollars through a more efficient and up-to-date purchasing system.

These changes — and many others that have been identified through this on-going management review process — are being implemented now. And they will help make government work harder, smarter and leaner.

Let me take a moment to update you on another exciting initiative that's already underway, and then tell you about a new idea I'm proposing this year.

As many of you know, we are working on a major overhaul of our Medicaid system to cut down on rising costs and make it work better. Medicaid costs are skyrocketing out of control, not just here in Missouri, but in virtually every state in the country.

But unlike most states, we're doing something about it.

We are asking the federal government for a waiver that will let us get the federal bureaucracy out of our Medicaid program and let us implement our own system — a system that will be so much more cost-effective that we will be able to serve more people ... at less cost than Medicaid ... without even having to cut benefits.

That's really remarkable when you think about it ... if we can get out from under these obsolete and overly-bureaucratic federal regulations ... we will be able to reduce the yearly increases in Medicaid costs and, at the same time, get health insurance to many people who do not now have it.

Now, we will only be able to do this if the federal government approves our waiver application, and if Congress does not shift the cost of more federal programs to the states.

That second one is a big if ... because Congress is thinking about shifting the cost of more federal programs to the states. Until that issue is resolved, we will have to proceed cautiously and prudently.

But if all goes well, this initiative will enable Missouri to do more with less in the area of health care,



and the starting place will be with uninsured children who live in low-income families ... families with incomes below 200 percent of poverty.

Approval of our waiver application will let us make health insurance available at no or low cost to these currently uninsured children while, at the same time, saving Missouri taxpayers about 40 million dollars over the next five years.

Pretty remarkable ... no tax increases, no mandates, no huge bureaucracy ... just smarter government. How do we do it? A combination of managed care, better uses of existing state resources, and available federal funds.

Now let me tell you about another new initiative that we're proposing this year. Again, this one is designed to help Missouri's children and their families in a more effective manner than ever before.

Missouri, like all other states, provides a wide array of human services to children and families in need. These services range from health care to family counseling to alcohol and drug prevention, just to name a few. But there's a basic problem that continues to hinder the effective and efficient administration of services.

The problem is that while it's people in Jefferson City who are responsible for administering these services, it's the people in the communities across our state who really understand what services their communities need and how best to provide them.

The fact is, we need more local involvement in human service delivery to children and families.

Each community has different needs and what they don't need is Jefferson City making all the decisions about what's best for our communities. When it comes to helping children, the cookie-cutter approach just doesn't work.

Therefore, I am proposing that we move toward a system where state services to children and their families are planned and coordinated by local community partnerships comprised of parents, school board members, business leaders, and representatives of government and not-for-profit agencies.

These community partnerships will link local communities with state and private resources, and develop school-linked local service delivery plans tailored to meet local needs. The result will be more effective, more efficient, and more flexible service delivery to children and families.

A clear example of where this school-linked approach is working is Walbridge Caring Communities in St. Louis. This nationally-recognized program has had proven success in helping young people succeed in school, stay healthy, and stay out of trouble. The St. Louis police even credit Walbridge Caring Communities for reducing crime in the neighborhood.

Walbridge may serve as a model for some other communities. But the beauty of this plan is that it recognizes that every community is different. St. Louis is not Springfield and St. Joseph is not Cape Girardeau.



Each community will be able to tailor programs uniquely suited to its own needs and challenges. What they will all have in common, however, is a strong commitment to helping children grow up healthy, safe, and prepared for the challenges of life.

I am recommending an investment of over 21 million dollars for this exciting new initiative in Fiscal Year '96. This money will come from the redirection of existing state programs as well as from additional federal funds. No new state revenues will be needed.

Extensive budget reviews, COMAP, the Medicaid waiver and the re-organization of children's services — these are just some of the ways we are striving to improve efficiency, effectiveness and keep Missouri's fiscal house in order.

But each year, this becomes harder and harder to do, because the federal government has a bad habit of starting new programs and then telling the states to pay for them.

These unfunded federal mandates place an almost unbearable burden on state resources.

This year alone, Missouri has to come up with an additional 112 million dollars just to pay for one year's growth in unfunded federal mandates. Fully 25 percent of our state budget is consumed by these required federal programs that we get the bill for.

I believe Congress should pass a federal balanced budget amendment. Unfortunately, one version of the balanced budget amendment that Congress is considering will let Congress balance the federal budget by

making the states pay for more federal programs.

That's not balancing the budget; that's just sleight of hand ... because, under that plan, Congress won't have to cut a dime's worth of spending. I — and other governors — are urging Congress not to waste this opportunity.

Congress should pass a real balanced budget amendment that forces them to make the cuts that are needed to actually bring the federal budget into balance.

That means the federal balanced budget amendment must include language that protects the states against unfunded federal mandates.

Congress should not waste this opportunity by just passing a public-relations gimmick that won't do anything but shift more federal costs onto the states. That's not responsible government. And I ask the people of Missouri to join me in contacting our federal legislators to tell them that.

It is clear that the issue of tax limitation remains on the minds of voters.

Missourians feel they should have the right to vote on major tax increases. The voters overwhelmingly defeated Hancock II because it would have caused drastic cuts in many crucial services including education and law enforcement.

But they strongly support the idea that taxpayers should have some direct influence over major tax decisions and a greater role in the fiscal decisions of the state.



Given the widespread sense of frustration and alienation people across this nation have come to feel toward their political and social institutions, I think this is an understandable and reasonable request.

And, clearly, this desire for more control is not unique to Missouri. In fact, Nevada and Florida approved tax limitation amendments in this past election, joining a growing number of states that have tax limitation measures on the books.

If the debate over Hancock II demonstrated anything, it demonstrated that the people of Missouri take the state's fiscal decisions seriously. Clearly, the voters are willing to study the issues and become informed, ignore the appeal of false promises, and make prudent judgments about the future of Missouri.

Last month, the Missouri Farm Bureau and I proposed a tax limitation amendment that will give Missouri voters the right to vote on all major tax increases.

Our plan is clear and simple — in fact, it is only four sentences long. And it deals only with future tax increases, so, unlike Hancock II, it will not result in drastic cuts that will leave Missouri without the resources it needs to educate our children and protect our citizens.

Furthermore, our plan includes enough flexibility to deal quickly with natural disasters and other unforeseen emergencies.

We have great confidence that this proposed amendment will serve Missouri well. It is a reasonable and

responsible tax limitation proposal ... one that will give the people of Missouri the additional control they want over major tax increases.

Among those Missourians who need tax relief the most are families caring for elderly dependents. As life expectancies continue to increase, more and more Missouri families are being squeezed financially by the dual responsibilities of raising their children and helping their parents live their senior years with dignity and satisfaction.

To help these families — and to help more Missouri senior citizens lead fulfilling and independent lives — I propose that we increase the exemption for dependents over 65 years of age from 400 dollars to 2000 dollars.

Because this is only a state tax deduction, it is only modest relief. But it's something we can do to lend a hand to some of Missouri's senior citizens and their families.

I'm also pleased to note that my budget provides some tax relief to over 83,000 Missourians with disabilities. This is the result of a property tax relief bill that you passed and I signed last year. That bill expands the circuit breaker for individuals with disabilities and helps those with disabilities remain independent and in their own homes.

There is one more item I wish to discuss with you before we get to the issue of crime.

We rely on our state employees to provide crucial



services to Missourians. I remain committed to attracting and retaining a dedicated, productive and experienced work force.

But we can only attract and retain quality employees if we offer salaries that are competitive within the labor market. Salaries for many if not most state employees, however, continue to be far below the competitive marketplace.

In fact, the pay for some full-time state employees is not even sufficient to raise them above the federal poverty line.

To help restore competitiveness and attract and retain quality employees, I am recommending a two percent cost-of-living increase for state employees and modest within grade increases to reward success and experience. As a result, state employees will receive an average increase of about 3.8 percent.

Crime and particularly violent crime continue to plague our state and our nation. We have a fundamental obligation to do all we can to protect the safety of our citizens.

Last year, we passed one of the toughest sentencing laws in the nation. It requires that dangerous, violent criminals serve no less than 85 percent of their sentences. In addition, judges, juries and prosecutors are getting tougher on crime.

As a result, violent criminals in Missouri are being locked up for longer periods than ever before.

Some people say that keeping dangerous criminals locked up for a longer time isn't the answer. Well, let me tell you this. I think it's a good answer, because it will keep them away from our children and our grandchildren.

Also last year, we gave prosecutors tough new tools to make it easier to convict child molesters and rapists. But now it's time for us to get to work again.

I am proposing a major prison construction program to make sure we have enough prison space to lock away violent criminals for as long as they need to be locked up.

Under my proposal, we will add space for 6,500 new prisoners beyond the increase in capacity that was provided for last year. We can do this by using one-time revenues for construction of a high security prison and expansion of existing prisons ... and by using lease-purchase for construction of a maximum security facility.

This plan only makes room for the expected increase in the prison population. Even with this proposal, Missouri's prison system is still going to be overcrowded and far over capacity.

What this is about is making sure we have a place to lock away violent criminals who need to be locked away so they won't be in our schools and won't be in our neighborhoods.

Missouri's prison population is growing rapidly. It is expected to increase from 17,400 inmates in 1994 to



27,500 in 1999, an increase of over 10,000 in just five years. And this assumes that we'll continue to utilize other alternative sanctions for non-violent, non-dangerous, and non-chronic offenders.

But the fact is that more and more people are being convicted of dangerous and violent crimes. Missourians are rightfully demanding tough medicine for tough crimes. And judges, prosecutors and juries are responding with more aggressive prosecutions, longer sentences, and less tolerance for criminal behavior.

Now we have to do our job and make sure we have a padlocked cell to put these dangerous criminals in, so they can't do any more harm to any more people.

When Missouri first entered the Union, one of the first acts of the state legislature was to build a prison to lock away dangerous criminals. The secure incarceration of violent and dangerous criminals is at the very core of the compact between a people and their government.

If we fail to construct this new prison space, 6500 convicted felons who should be behind bars will very likely be out on our streets. And based on Missouri's current inmate profile, that would include about 830 convicted murders, 750 convicted sexual offenders, and almost 900 convicted drug offenders.

To allow that to happen would be a fundamental breach of the trust and responsibility that the people of Missouri have placed in us.

I'm not prepared to let that happen and I don't think you are either. Let's get this job done.

The people of Missouri are counting on us to put these predators away for the required duration of their sentences, without risk of inappropriate early release.

That's the challenge before us and that's the challenge we must meet.

But there's still more we need to do this year on crime.

The recent slaying of two Lake of the Ozark security officers at the hands of two youthful offenders — one 13 years of age and the other 17 — is a frightening example of how times have changed and how our laws must change with them.

We must re-write our juvenile crime laws to make sure that juveniles who commit crimes are held responsible for their actions.

Juvenile offenders must be treated fairly — but they must still be held accountable for their crimes.

If we don't hold them accountable for what they've done, then we shouldn't be surprised when they go back and do it again.

We must work together to change our juvenile crime laws so they are realistic, tough and effective in holding juveniles accountable and in preventing them from making a career out of crime.

Missouri's future is bursting with challenges and opportunities. The actions we take here over the next



few months will shape our future and the futures of our children and grandchildren.

As Missouri prepares to enter the 21st century, we must call upon the same courage and resolve as the first settlers who chose this territory as their home.

They did not know all the possibilities of the future ... nor all the dangers it would present. They knew only that they wanted to carve out a life better than the one they had left behind.

But they also hoped that their hard work would shape the future and make a difference for years to come ... a difference for their children and their grandchildren.

Today we are the direct benefactors of an indomitable pioneer spirit. And just as their deeds had consequences on our lives, so will future generations live with the results of what we do here.

I ask you to join with me in remembering that our legacy is our children's future. And whatever decisions we make, they will live with the consequences for many years to come.

Let us strive to work together ... to put the small and unimportant things aside ... and focus on our common goal ... to leave Missouri an even better place for our children and grandchildren to live than it was for ourselves.

Thank you.

STATE OF THE STATE ADDRESS
GOVERNOR MEL CARNAHAN

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